

Goran Tidstrom
Chairman of the Supervisory Board
European Financial Reporting Advisory Group
13-14 Avenue des Arts
B-1210 Brussels
Belgium

22 September 2008

Dear Mr Tidstrom,

Consultation Document: Strengthening the European Contribution to the International Standard-Setting Process

We appreciate the opportunity to comment on this consultation by EFRAG on its proposals for an enhanced governance and operational structure with increased resources. We have taken a close interest in the development of IFRS in Europe in the last few years and in the related development of EFRAG as a significant player in the international standard-setting environment.

Following consultation with members of the PricewaterhouseCoopers network of firms in Europe, this response summarises the views of member firms who commented on this consultation document. "PricewaterhouseCoopers" refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Strengthening European input on IFRS

We strongly agree with the Introduction to the consultation document to the effect that strengthening European input on financial reporting standards is a key issue for European institutions. As more of the world's major capital market economies adopt IFRS over the next five or six years, it will be important to ensure that Europe retains a significant input in the continuing development of IFRS.

Hence, we are broadly supportive of the objectives and overall direction of the proposals to enhance EFRAG's governance structure and to ensure that the interests of European stakeholders with respect to financial reporting are represented effectively. We note also the recent communication from the European Union finance ministers (ECOFIN 'Council Conclusions on IASB Governance' of 8 July) which states that '*The Council emphasises the urgency of enhancing the EU's ability to contribute in a timely and consistent manner to the international accounting debate. It therefore welcomes efforts to enhance the role of EFRAG, especially in relation to timely upstream input to the IASB's agenda-setting process.*'

Structure and operations – a review after 2-3 years

We agree that it is desirable for EFRAG to conduct more pro-active work that can feed into the IASB's programme at an early stage of major projects. Given the relative complexity of the proposed EFRAG structure (see further below) and also the planned volume and timetable of activity by the IASB, there will need to be well-honed methods of consultation by EFRAG to ensure that European stakeholders' views are fully represented.

The revised EFRAG structure being proposed is complicated, as illustrated by the diagram in Annex 1 on page 12 of the document. While we understand and support the desire to involve the national standards-setters more deeply in EFRAG's activities, the proposed structure does appear to us to contain a number of bodies with overlapping membership and responsibilities. We note in the July meeting minutes of the EU Accounting Regulatory Committee that a number of member state representatives had observed that the proposals seemed complex.

We are not commenting in detail in this letter on the proposed structures, but in our view the new arrangements will provide significant challenges in terms of efficient operation. For each of the bodies in the structure to work as intended, there will need to be a high degree of cooperative and efficient networking.

To ensure that the new structures, once implemented, are working satisfactorily, we believe it will be important to conduct a review after two or three years. This would allow a public dialogue on whether the arrangements are delivering efficiently the objectives set out in the consultation document.

High-level commitment needed

We consider that, in order to work as intended, the proposed arrangements will need the support and strategic commitment of the various European institutions and stakeholders at a high-level. The new structures will be successful and result in the desired degree of contribution to the international standard-setting process only if high-quality candidates are attracted to serve on each component of the EFRAG structure – on the Supervisory Board, the Technical Expert Group and in the other groups and committees. A significant amount of effort and goodwill will be needed, particularly in the early years of operation of the new structure.

PricewaterhouseCoopers is happy to play its part through appropriate participation and other input, including putting forward appropriate candidates.

We would be happy to discuss our views further with you. If you have any questions regarding this letter, please contact Richard Keys (+44 20 7212 4555) or Graham Gilmour (+44 20 7804 2297).

Yours faithfully,

PricewaterhouseCoopers LLP